



ORESTONE MINING CORP.
(An Exploration Stage Company)

Condensed Consolidated Interim Financial Statements

For the three months ended April 30, 2012

(Expressed in Canadian Dollars)

(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

ORESTONE MINING CORP.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	Notes	April 30, 2012 (Unaudited) \$	January 31, 2012 (Audited) \$
ASSETS			
Current Assets			
Cash		50,311	190,159
Receivables	3	21,517	72,195
Mining tax credit recoverable	5	216,040	216,040
Prepays		19,331	34,076
		<u>307,199</u>	<u>512,470</u>
Non-current Assets			
Equipment	4	2,667	2,837
Exploration and evaluation assets	5	3,135,371	3,102,759
Deposits	5	42,800	42,800
Reclamation bonds	5	29,000	29,000
		<u>3,209,838</u>	<u>3,177,396</u>
		<u>3,517,037</u>	<u>3,689,866</u>
LIABILITIES			
Current			
Trade and other payables		282,194	432,417
Due to related parties	6	141,238	45,875
		<u>423,432</u>	<u>478,292</u>
SHAREHOLDERS' EQUITY			
Share capital	7	4,709,009	4,709,009
Reserves		521,934	461,134
Deficit		(2,137,338)	(1,958,569)
		<u>3,093,605</u>	<u>3,211,574</u>
		<u>3,517,037</u>	<u>3,689,866</u>

Nature and continuance of operations (Note 1)**Subsequent events** (Note 11)

These consolidated financial statements are authorized for issue by the Board of Directors.

They are signed on the Company's behalf by:

<u>“David Hottman”</u>	Director	<u>“Gary Nordin”</u>	Director
David Hottman		Gary Nordin	

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

ORESTONE MINING CORP.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED APRIL 30

(Expressed in Canadian dollars; Unaudited)

	Notes	2012	2011
		\$	\$
EXPENSES			
Depreciation	4	170	286
Filing fees		8,088	1,844
Investor relations		20,793	1,020
Management and consulting fees	6	-	16,000
Office, rent and miscellaneous	6	27,156	5,604
Professional fees		7,214	9,797
Salaries and benefits		54,548	-
Share-based payments	7	60,800	-
		<u>178,769</u>	<u>34,551</u>
COMPREHENSIVE LOSS		<u>178,769</u>	<u>34,551</u>
LOSS PER COMMON SHARE – BASIC AND DILUTED			
	8	\$0.003	\$0.001
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
		65,589,313	48,079,913

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

ORESTONE MINING CORP.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars)

Issued and outstanding:	Notes	Number of shares	Share capital	Reserves			Total shareholders' equity
				Warrant	Share-based payments	Deficit	
			\$	\$	\$	\$	\$
Balance as at January 31, 2011 (Audited)		48,079,913	3,675,979	5,270	-	(1,044,869)	2,636,380
Comprehensive loss for the period		-	-	-	-	(34,551)	(34,551)
Balance as at April 30, 2011 (Unaudited)		48,079,913	3,675,979	5,270	-	(1,079,420)	2,601,829
Shares issues:							
For cash	7	12,265,000	669,610	311,890	-	-	981,500
For debt settlement	6,7	5,244,400	419,552	-	-	-	419,552
Share issue costs	7	-	(56,132)	-	-	-	(56,132)
Share-based payments	7	-	-	-	143,974	-	143,974
Comprehensive loss for the period		-	-	-	-	(879,149)	(879,149)
Balance as at January 31, 2012 (Audited)		65,589,313	4,709,009	317,160	143,974	(1,958,569)	3,211,574
Share-based payments	7	-	-	-	60,800	-	60,800
Comprehensive loss for the period		-	-	-	-	(178,769)	(178,769)
Balance as at April 30, 2012 (Unaudited)		65,589,313	4,709,009	317,160	204,774	(2,137,338)	3,093,605

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

ORESTONE MINING CORP.
(An Exploration Stage Company)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED APRIL 30
(Expressed in Canadian dollars; Unaudited)

	2012	2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(178,769)	(34,551)
Non-cash operating items:		
Depreciation	170	286
Share-based payments	60,800	-
	<u>(117,799)</u>	<u>(34,265)</u>
Changes in non-cash working capital items:		
Receivables	50,678	28,126
Mining tax credit recoverable	-	10,976
Prepays	14,745	1,417
Trade and other payables	(49,453)	(884)
Due to related parties	95,363	18,000
Net cash used in operating activities	<u>(6,466)</u>	<u>23,370</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(133,382)	(18,250)
Net cash provided by (used in) investing activities	<u>(133,382)</u>	<u>(18,250)</u>
CHANGE IN CASH	(139,848)	5,120
CASH, BEGINNING	<u>190,159</u>	<u>21,646</u>
CASH, ENDING	<u>50,311</u>	<u>26,766</u>
SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS		
Exploration and evaluation assets in accounts payable and accrued liabilities	100,770	-

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

ORESTONE MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

April 30, 2012

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Orestone Mining Corp. (the “Company” or “Orestone”) was incorporated under the Business Corporations Act (British Columbia) on April 30, 2007 and its principal business activity is the exploration of mineral properties. The address of the Company’s registered and head office is 19th floor, 885 West Georgia Street, Vancouver, BC, Canada V6C 3H4.

Pursuant to an Arrangement Agreement (the “Agreement”) dated March 15, 2010 as amended on April 30, 2010 and completed on June 3, 2010, Orestone, through its wholly-owned subsidiary 0875639 BC Ltd. (“0875639”), acquired all of the issued and outstanding shares of Intuitive Exploration Inc. (“NTE”), an arm’s length private British Columbia company. Pursuant to the Agreement, NTE and 0875639 merged to form Amalco, a wholly-owned subsidiary of Orestone, which changed its name to Intuitive Exploration Inc. (“Intuitive”). The transaction, completed by way of share exchange, resulted in a reverse takeover (“RTO”) of Orestone. Accordingly, under the principles applicable to these transactions, it is considered to be a capital transaction by Intuitive, whereby Intuitive, legally the Company’s wholly-owned subsidiary, has acquired the assets and liabilities of Orestone and is considered to be the continuing entity for accounting purposes. Therefore, for the purposes of these consolidated financial statements, the “Company” is defined as the combined entity post RTO.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing to develop its exploration and evaluation assets, and to commence profitable operations in the future. To date the Company has not generated any significant revenues and is considered to be in the exploration stage.

Management’s plan includes continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated financial statement of financial position. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The current market condition and volatility increase the uncertainty of the Company’s ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

	April 30, 2012	January 31, 2012
Deficit	\$ (2,137,338)	\$(1,958,569)
Working capital / (deficiency)	\$(116,233)	\$34,178

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**Statement of compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance and compliance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

ORESTONE MINING CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

April 30, 2012

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of preparation

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's January 31, 2012 consolidated annual financial statements.

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS that are published at the time of preparation.

Accounting estimates and judgments

The preparation of these financial statements in conformity with IAS 34 requires management to make estimates, judgments and assumptions that affect the reported amounts and other disclosures in these financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these financial statements include, among others, the recoverability of receivables and mineral tax credit recoverable, impairment of assets, measurement of share-based payments and valuation of reclamation obligations.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from exploration and evaluation assets and equipment.

Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the April 30, 2012 reporting period.

The following new standards, amendments and interpretations that have not been early adopted in these financial statements, are not expected to have a material effect on the Company's future results and financial position:

- a) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
- b) IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);
- c) IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);
- d) IFRS 12 Disclosure of Interests in Other Entities (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31);
- e) IFRS 13 Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs);
- f) IAS 1 Presentation of Financial Statements, (Amendments regarding Presentation of Items of Other Comprehensive Income);
- g) IAS 19 Employee Benefits (Amended in 2011);
- h) IAS 27 Separate Financial Statements (Amended in 2011);
- i) IAS 28 Investments in Associates and Joint Ventures (Amended in 2011); and
- j) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New).

ORESTONE MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

April 30, 2012

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Significant accounting policies**

These unaudited financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statements for the year ended January 31, 2012.

These unaudited interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended January 31, 2012. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the three month period ended April 30, 2012 are not necessarily indicative of the results that may be expected for the year ending January 31, 2013.

3. RECEIVABLES

Receivables consist of the following:

	April 30, 2012	January 31, 2012
	\$	\$
Due from JV partner	1,029	-
Government taxes receivable	20,488	72,195
	<u>21,517</u>	<u>72,195</u>

4. EQUIPMENT

	Computer equipment	Equipment	Total
	\$	\$	\$
Cost			
Balance as at January 31, 2011	7,998	4,049	12,047
Change in assets	-	-	-
Balance as at January 31, 2012	7,998	4,049	12,047
Change in assets	-	-	-
Balance as at April 30, 2012	<u>7,998</u>	<u>4,049</u>	<u>12,047</u>
Accumulated depreciation			
Balance as at January 31, 2011	6,480	1,586	8,066
Depreciation for the year	672	472	1,144
Balance as at January 31, 2012	7,152	2,058	9,210
Depreciation for the year	76	94	170
Balance as at April 30, 2012	<u>7,228</u>	<u>2,152</u>	<u>9,380</u>
Carrying amounts			
At January 31, 2011	1,518	2,463	3,981
At January 31, 2012	846	1,991	2,837
At April 30, 2012	<u>770</u>	<u>1,897</u>	<u>2,667</u>

ORESTONE MINING CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

April 30, 2012

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

Title to exploration properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mining properties. The Company has investigated title to its exploration properties and, to the best of its knowledge; titles to its properties are in good standing.

Captain Property

During the year ended January 31, 2011, through the RTO with Orestone, the Company acquired a 100% interest in certain mineral claims comprising the Captain Property located near Fort St. James, British Columbia. Orestone had previously incurred \$81,109 in acquisition costs, \$987,876 in deferred exploration costs, totaling a net book value of \$1,068,985. Pursuant to the RTO, the Company applied \$823,540 of the deficiency on the purchase price to the net book value of the Captain Property. The Company's net book value, therefore, was \$245,445.

As of April 30, 2012, Orestone posted a \$29,000 (January 31, 2012 - \$29,000) reclamation bonds to the Ministry of Energy, Mines and Petroleum Resources of British Columbia to guarantee reclamation of the environment on the Captain Property.

At April 30, 2012, included in mineral tax credit recoverable is \$175,000 (January 31, 2012 - \$175,000) relating to the Captain property.

Todd Creek Property

On April 3, 2008, the Company signed a property option agreement with Goldeye Explorations Limited ("Goldeye"), Polar Star Mining Corporation ("Polar"), and Geofine Exploration Consultants Ltd. ("Geofine") to acquire up to a 70% interest in certain claims comprising the Todd Creek Property located in the Skeena Mining Division in northwestern British Columbia.

In consideration, the Company made the following payments:

- \$40,000 and the issuance of 40,000 common shares (issued at a fair value of \$4,000) during the year ended January 31, 2009; and
- \$140,000 and the issuance of 130,000 common shares (issued at a fair value of \$6,500) during the year ended January 31, 2010.

To earn a 70% interest, the Company was required to incur an aggregate of \$5,000,000 in work expenditures over a 3 year period.

Alternatively, the Company had the option to earn a 51% interest (earned) in the Todd Creek Property by making the property payments above and incurring work expenditures of \$2,500,000 (incurred).

Upon earning this interest threshold, the property option agreement terminated and the Company, Goldeye, Polar and Geofine formed a Joint Venture (the "JV") on April 30, 2010. Pursuant to the JV agreement, the Company is the operator and holds a 51% interest in the JV and Polar Star and Goldeye each hold a 24.5% interest in the JV.

Upon production, the JV shall pay a royalty to Geofine Consultants Ltd. ("Geofine") of 2.5% of the NSR derived from operations on the property.

Commencing on or before November 30, 2010 and for each anniversary of that date until an NSR is derived from operations on the property, the JV will provide a payment to Geofine of \$25,000 (paid). Such payments will be considered as non-refundable advances on any NSR that Geofine shall be entitled to. The JV has the exclusive option to purchase the NSR for \$750,000 for each 0.5% of royalty interest held on the property.

The JV held an option to acquire a 100% interest in the Kelly Funk Property, comprised of certain claims contiguous to the Todd Creek Property, pursuant to an option agreement dated August 19, 2008, and amended on October 22, 2010, between the Company, 802213 Alberta Ltd. ("802213") and Kelly Brent Funk.

ORESTONE MINING CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

April 30, 2012

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Todd Creek Property (cont'd)

In consideration, the JV made the following payments:

- Pay \$25,000 upon execution of the agreement (paid);
- Issue 25,000 common shares on or before October 31, 2008 (issued at a fair value of \$5,000);
- Pay \$40,000 (paid) and issue 40,000 common shares (issued at a fair value of \$2,000) on or before October 31, 2009; and
- Pay \$75,000 (paid) and issue 50,000 common shares (issued by the Company at a fair value of \$3,500 of which \$1,715 was reimbursed in cash by the JV) on or before October 31, 2010.

To January 31, 2010, the property option payments totaling \$72,000 on the Kelly Funk Property constituted work expenditures towards the Company's interest in the Todd Creek Property.

On July 2011, the Company performed an impairment analysis on the Kelly Funk property and concluded that the potential did not justify further work. The Company therefore, wrote-off \$78,500 of project expenditures and subsequently terminated the option agreement on the Kelly Funk property.

As at April 30, 2012, recorded in deposits is \$17,500 (January 31, 2012 - \$17,500) held by Geofine, which has been used towards the posting of a reclamation bond with the Ministry of Energy, Mines and Petroleum Resources of British Columbia to guarantee reclamation of the environment on the Todd Creek Property.

At April 30, 2012, included in mineral tax credit recoverable is \$41,040 (January 31, 2012 - \$41,040) relating to the Todd Creek Property.

Connor Creek Property

During the year ended January 31, 2011, by way of completion of the RTO, the Company acquired an option to earn a 60% interest in certain mineral claims comprising the Connor Creek Property located in the Nelson Mining Division, British Columbia. Orestone had previously incurred \$20,466 in acquisition costs and \$296,901 in deferred exploration costs, totaling a net book value of \$317,367. Pursuant to the RTO, the Company applied \$244,498 of the deficiency on the purchase price to the net book value of the Connor Creek Property. The Company's net book value, therefore, was \$72,869.

Pursuant to the option agreement, the Company assumed certain consideration for the Connor Creek Property and during the year ended January 31, 2011, issued 150,000 shares at a fair value of \$10,500.

On July 2011, the Company performed an impairment analysis on the Connor Creek property and concluded that the potential did not justify further work. The Company therefore, wrote off \$84,002 of project expenditures and subsequently terminated the option agreement on the Connor Creek property.

ORESTONE MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

April 30, 2012

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd)

To April 30, 2012, the Company has incurred the following on acquisition and deferred exploration costs:

	January 31, 2011	Additions	January 31, 2012	Additions	April 30, 2012
	\$	\$	\$	\$	\$
Captain Property					
Acquisition costs	260,900	15,022	275,922	-	275,922
Deferred exploration costs					
Assays	11,582	5,825	17,407	7,387	24,794
Drilling	-	305,194	305,194	18,293	323,487
Geological	36,074	131,913	167,987	4,790	172,777
Geophysical	-	103,468	103,468	-	103,468
Surveying	-	40,846	40,846	-	40,846
Other	875	186	1,061	-	1,061
	48,531	587,432	635,963	30,470	666,433
Mining exploration tax credit	(2,500)	(175,020)	(177,520)	-	(177,520)
	306,931	427,434	734,365	30,470	764,835
Todd Creek Property					
Acquisition costs	243,285	12,750	256,035	-	256,035
Deferred exploration costs					
Aircraft	626,189	-	626,189	-	626,189
Assays	190,226	2,142	192,368	2,142	194,510
Camp	237,807	-	237,807	-	237,807
Geological consulting (Note 8)	257,421	-	257,421	-	257,421
Drilling	312,864	-	312,864	-	312,864
Field	234,469	-	234,469	-	234,469
Geophysical	280,326	7,284	287,610	-	287,610
Other	89,682	1,446	91,128	-	91,128
Professional	58,424	-	58,424	-	58,424
Salaries and wages	410,555	-	410,555	-	410,555
	2,697,963	10,872	2,708,835	2,142	2,710,977
Mining exploration tax credit	(517,976)	-	(517,976)	-	(517,976)
Write-off of exploration and evaluation assets	-	(78,500)	(78,500)	-	(78,500)
	2,423,272	(54,878)	2,368,394	2,142	2,370,536
Connor Creek Property					
Acquisition costs	83,369	-	83,369	-	83,369
Deferred exploration costs					
Other	119	514	633	-	633
Write-off of exploration and evaluation assets	-	(84,002)	(84,002)	-	(84,002)
	83,488	(83,488)	-	-	-
Total	2,813,691	289,068	3,102,759	32,612	3,135,371

ORESTONE MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

April 30, 2012

(Expressed in Canadian dollars)

6. RELATED PARTY TRANSACTIONS

Payments to related parties were made in the normal course of operations and were valued at fair value. Amounts due to or from related parties are unsecured, non-interest bearing and due on demand.

a) Key management personnel compensation

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows for the three months ended April 30, 2012:

	Three months ended April 30	
	2012	2011
	\$	\$
Short-term employee benefits	39,000	-
Share-based payments	-	-
Total	39,000	-

b) Other related party transactions

	Description of charges:	Three months ended April 30			
		2012		2011	
		Total charges	Balance outstanding	Total charges	Balance outstanding
Amounts due to:		\$	\$	\$	\$
A private company controlled by a director of the Company	Management fees	-	45,875	18,000	101,151
A private company controlled by a director of the Company	Management fees	-	-	-	7,000
A private company controlled by a director of the Company	Geological consulting fees	-	-	-	22,176
A public company with two directors in common with the Company	Rent	-	5,363	-	-
A private company with one director in common with the Company	Loan payable	90,000	90,000	-	-
		90,000	141,238	18,000	130,327

During the three months ended April 30, 2012, the Company received a loan from a private company with a director in common for \$90,000. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. As of April 30, 2012 the Company owes this private company \$90,000 (January 31, 2012 – \$Nil).

During the year ended January 31, 2012 the Company issued 2,648,400 shares at a price of \$0.05 in settlement for certain debts owed by the Company in an amount of \$132,420 to certain directors and officers of the Company, resulting in a loss on settlement of debt of \$79,462. As at April 30, 2012 \$45,875 (January 31, 2012 - \$45,875) was owed to certain officers and directors as a result of this settlement.

7. SHARE CAPITALa) **Authorized**

Authorized: Unlimited number of common shares without par value.

ORESTONE MINING CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

April 30, 2012

(Expressed in Canadian dollars)

7. SHARE CAPITAL (cont'd)**b) Details of issuance of common shares**Fiscal 2012

- (i) On July 11, 2011, the Company completed a non-brokered private placement for gross proceeds of \$245,000 by issuing 4,900,000 units at \$0.05 per unit. Each unit is comprised of one common share and one non-transferrable share-purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at \$0.10 per share for a period of 2 years. The warrants were allocated a fair value of \$112,339 using the Black Scholes Option Pricing Model and have been recorded as share issuance cost. An aggregate of \$9,490 was included in share issue costs.
- (ii) On August 30, 2011, the Company issued 5,244,400 common shares at a fair value of \$419,552 in settlement for certain debts owed to the Company for an aggregate amount of \$262,220. The Company recorded a loss on debt settlement of \$157,332.
- (iii) On November 29 and December 2, 2011, the Company completed a non-brokered private placement for aggregate proceeds of \$736,500. The offering consisted of 7,365,000 units at a price of \$0.10 per unit. Each unit consists of one common share and one-half common share purchase warrant, each whole warrant exercisable into one common share of the Company at a price of \$0.20 per share. Of these warrants 3,057,500 are exercisable until November 29, 2012 and 625,000 until December 3, 2012. The warrants were allocated a fair value of \$199,551 using the Black Scholes Option Pricing Model and have been recorded as share issuance cost. The Company paid finders' fees of \$29,505 and incurred share issuance costs of \$17,138 related to these private placements.

c) Warrants

The continuity of warrants for the period ended April 30, 2012 is as follows:

Expiry date	Exercise price (\$)	January 31, 2012	Issued	Exercised	Expired/ cancelled	April 30, 2012
June 3, 2012	0.15	200,000	-	-	-	200,000
July 11, 2013	0.10	4,900,000	-	-	-	4,900,000
November 29, 2012	0.20	3,057,500	-	-	-	3,057,500
December 2, 2012	0.20	625,000	-	-	-	625,000
		8,782,500	-	-	-	8,782,500
Weighted average exercise price (\$)		0.15	-	-	-	0.14

The weighted average remaining contractual life of the outstanding warrants as at April 30, 2012 is 0.92 years (January 31, 2012 – 1.16 years).

The following table summarizes the fair value of the various warrants calculated using the Black-Scholes option pricing model with the assumptions listed:

	2012	2011
Risk-free interest rate	0.89% - 2.09%	1.78%
Annualized volatility	270 - 295%	161%
Expected dividend yield	Nil	Nil
Expected option life in years	1-2 years	2 years

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7. SHARE CAPITAL (cont'd)**d) Share purchase option compensation plan**

The Company has adopted an incentive share option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX Venture Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares to be outstanding at closing. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares.

The continuity of options for the period ended April 30, 2012 is as follows:

Expiry date	Exercise price (\$)	January 31, 2012	Issued	Exercised	Expired/Cancelled	April 30, 2012
March 7, 2013	0.20	750,000	-	-	(250,000)	500,000
September 8, 2013	0.105	555,000	-	-	-	555,000
January 12, 2015	0.15	300,000	-	-	(100,000)	200,000
September 8, 2015	0.105	1,925,000	-	-	(50,000)	1,875,000
September 29, 2015	0.10	200,000	-	-	-	200,000
April 15, 2013	0.10	-	300,000	-	-	300,000
Outstanding at end of the year		3,730,000	300,000	-	(400,000)	3,630,000
Weighted average exercise price (\$)		0.13	0.10	-	0.18	0.12
Options vested and exercisable		1,070,000	300,000	-	-	1,370,000
Weighted average exercise price (\$)		0.15	0.10	-	-	0.15

At April 30, 2012 the weighted average remaining life of the outstanding and exercisable options is 3.05 years (January 31, 2012 – 3.33 years).

On April 15, 2012, the Company granted stock options to a consultant of the Company to purchase a total of 300,000 common shares at a price of \$0.10 per share, exercisable until April 15, 2013. These stock options vest at a rate of 25% on July 15, 2012 and at a rate of 25% every 3 months thereafter.

The weighted average assumptions used to estimate the fair value of options for the period ended April 30, 2012 and 2011 were:

	2012	2011
Risk-free interest rate	1.22%	N/A
Annualized volatility	1.5.48%	N/A
Expected dividend yield	Nil	Nil
Expected life in years	1 year	N/A

Based on these variables, share based payment expense for the options vested during the period ended April 30, 2012 was \$60,800 (April 30, 2011 - \$Nil).

ORESTONE MINING CORP.

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April 30, 2012

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7. SHARE CAPITAL (cont'd)

d) Share purchase option compensation plan (cont'd)

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

8. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the three months ended April 30, 2012 was based on the loss attributable to common shareholders of \$178,769 (April 30, 2011 – \$34,551) and a weighted average number of common shares outstanding of 65,589,313 (April 30, 2011 – 48,079,913).

Diluted loss per share did not include the effect of 8,782,500 warrants and 3,630,000 stock options (2011 – 3,850,400 and 1,750,000, respectively) because they are anti-dilutive.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables, mineral tax credit recoverable, trade payables and due to related parties. The carrying value of these financial instruments approximates their fair value. The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest risk.

Management of Financial Risk

The Company's financial instruments are exposed to certain financial risks, which include credit risk, interest rate risk, liquidity risk, and market risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation causing the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash holdings, mineral tax credit recoverable and other receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. Receivables are due from the Government of Canada and for reimbursements. Management believes that credit risk related to these amounts is low.

Interest Rate Risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company's exposure to interest rate risk is minimal and relates to its ability to maintain the current rate of interest on its short-term investment.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital to continue its operations and discharge its commitments as they become due.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

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9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)***Market Risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The Company is not subject to currency risk as the functional currency is the Canadian dollar. The Company does not use any form of derivative or hedging instruments to reduce its foreign currency risk. The Company is not affected by price risk.

Management of Industry Risk

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuations techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e., as prices) or indirectly (i.e., derived from process); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalents	50,311	-	-	50,311
	50,311	-	-	50,311

10. CAPITAL MANAGEMENT

The Company considers its capital structure to be shareholders' equity represented by net assets over liabilities. The Company manages its capital structure based on the funds available to the Company, in order to support acquisition, maintenance, exploration, and development of exploration and evaluation assets.

The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has interests are in the exploration stage so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

There were no changes to the Company's approach to capital management during the period and the Company is not subject to externally imposed capital restrictions.

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11. SUBSEQUENT EVENT

On May 16, 2012, the Company announced a non-brokered private placement consisting of a maximum of 10,000,000 common shares at a price of \$0.05 per share and a maximum of 7,142,857 flow-through shares at a price of \$0.07 per flow-through share for aggregate gross proceeds of up to \$1,000,000. The Company may pay a finder's fee consisting of (a) a fee equal to up to 7% payable in cash and (b) issuing non-transferable finder's warrants equal to up to 7% of the number of shares and/or flow-through shares sold under the private placement, each finder's warrant entitling the holder thereof to acquire one common share of the Company at an exercise price of \$0.05 or \$0.07 respectively for a period of one year from the closing date.